

Committee on Ways and Means

Subcommittee on Human Resources Report

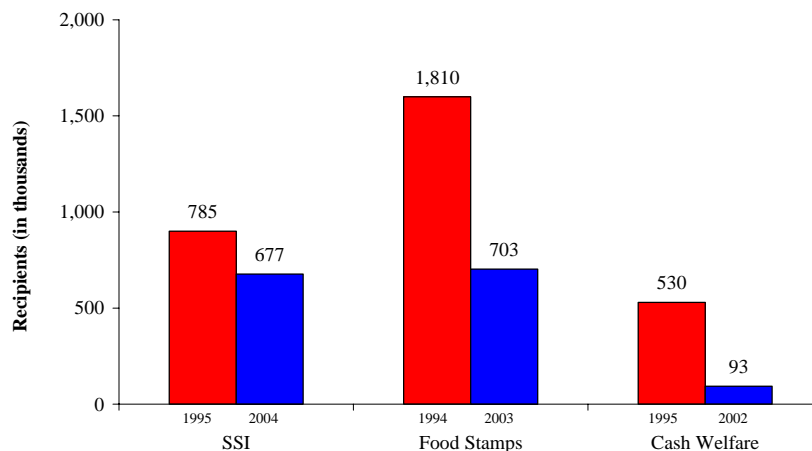
A Decade Since Welfare Reform: Ending Waste, Fraud and Abuse of Welfare Benefits

Key Facts

It is widely known that the 1996 welfare reforms required, for the first time, many welfare recipients to work for their benefits. Less attention has been paid to equally important changes enacted in the 1996 welfare reform law (P.L. 104-193) and related legislation designed to end waste, fraud, and abuse in welfare programs, which have saved billions of dollars for taxpayers:

- (1) Preventing prisoners and fugitives from collecting welfare benefits.
 - New “prison bounty” system, along with ongoing efforts, saves up to \$500 million per year.
 - Supplemental Security Income (SSI) benefits have been suspended for 136,000 fugitives and probation and parole violators, saving at least \$250 million and contributing to more than 40,000 arrests since 1996.
- (2) Ending “disability” checks for drug addicts and alcoholics.
 - Benefits ended for nearly 125,000 who claimed disability due to addiction.
 - Actual savings may exceed projected savings of \$5.8 billion between 1997 and 2002.
- (3) Barring non-citizens from collecting welfare benefits they pledged to avoid as a condition of entry.
 - During the past decade, non-citizen receipt of major welfare benefits dropped sharply: SSI fell 14 percent, food stamps fell 61 percent, and cash welfare fell 82 percent.

**Chart I: Noncitizen Recipients of Selected Welfare Benefits
(Before and After 1996 Welfare Reforms)**



Note: Columns on right reflect most recent data available. See endnotes 16, 17 and 18 for data sources.

Background Data

(1) Preventing prisoners and fugitives from collecting welfare benefits

Even before the 1996 reforms, prisoners were technically ineligible to collect SSI benefits while in jail. But the programs actually relied on inmates to notify the Social Security Administration (SSA) of their “change of address” to a jail cell to enforce the apparent ban on prisoners’ receiving benefits. Not surprisingly, few complied, and thus thousands of prisoners continued to receive SSI checks behind bars. According to a 1996 General Accounting Office (GAO, since renamed the Government Accountability Office) report, the average erroneous payment to prisoners in a local or county jail was about \$1,700, which prisoners could use to pay for drugs or weapons while behind bars.ⁱ

To combat this ongoing fraud, the Republican welfare reforms created a new “bounty” system for prisons that reported their inmate lists to the SSA. The SSA then compared the prison lists to its SSI rolls and stopped payments to those behind bars. Prisons were paid up to \$400 for each prisoner found ineligible through these data matches, encouraging prison reporting while helping taxpayers save money by preventing erroneous payments. The Social Security Inspector General estimates that the new prison bounty system, alongside ongoing administrative efforts “saves approximately \$500 million annually” or as much as \$5 billion in the last decade by better ensuring prisoners do not receive SSI checks.ⁱⁱ

Related 1996 reforms require data matches that have ended cash welfare, food stamp and disability benefits previously paid to fugitives and probation and parole violators. According to the Congressional Research Service (CRS), due to these reforms “the SSA has suspended the benefits of over 136,000 SSI beneficiaries.”ⁱⁱⁱ Overall, this reform has yielded more than \$250 million in savings.^{iv} Also, this system has contributed to more than 40,000 arrests since the program’s inception in August 1996.^v

(2) Ending “disability” checks for drug addicts and alcoholics

Prior to welfare reform changes, the number of drug addicts and alcoholics collecting SSI disability checks rose from 13,000 in 1988 to 160,000 in 1996, a 1,130 percent increase; GAO experts testified before Congress that absent legislative changes the number of drug addicts and alcoholics collecting SSI benefits would reach 200,000 by fiscal year 2000.^{vi} The average recipient received \$5,000 per year in SSI checks, plus Medicaid coverage worth thousands of dollars more; many also collected food stamps and other taxpayer-funded benefits. According to a 1994 report by the U.S. Department of Health and Human Services (HHS) Inspector General, addicts on SSI disability collected checks for an average of over seven years, and the most common reason benefits ended was because the addict died. Medical improvement was rare; only one percent of program departures occurred because the recipient overcame his or her addiction.^{vii}

The case of homeless Army veteran Delmont Williams was all too typical. “All the dealers came circling around him on check day like vultures.... With his history, there’s no way he should have been walking around with that much money in his pocket... but they gave it to him anyway. Every month, no strings attached, the check would come and Delmont would spend it on drugs and alcohol. Until it finally killed him.”^{viii}

In the face of this rapidly growing problem, Democrat majorities in Congress in the early 1990s required that addicts name “representative payees” who would receive their checks for them. Some

addicts responded by making bartenders their payees, making the SSI program an even more efficient bar tab for some.

In response to this abuse, House Republicans included provisions in the 1996 welfare reforms (ultimately passed as part of H.R. 3136, the “Contract with America Advancement Act of 1996,” P.L. 104-121) to end addiction or alcoholism as a disabling condition for SSI or Social Security disability benefits. This law also provided \$100 million in new funding for drug treatment to help more addicts overcome their addictions. Following enactment of P.L. 104-121, SSA notified 209,372 individuals receiving SSI or Social Security disability benefits based on drug addiction or alcoholism of these changes; SSA subsequently ended benefits for 124,746 or about 60 percent of those formerly receiving benefits.^{ix} Many of those whose benefits ended did not even bother to contest the changes; the remainder went on receiving benefits due to age or other disabling conditions. Upon passage of this change, the Congressional Budget Office (CBO) projected the total savings in fiscal years 1997 through 2002 would be nearly \$5.8 billion.^x However, given the fact that the number of drug addicts and alcoholics who left the rolls was larger than CBO anticipated, the real savings to taxpayers were likely even larger than that.^{xi}

(3) Barring noncitizens from collecting welfare benefits they pledged to avoid as a condition of entry

Throughout its history, U.S. immigration policy called for the exclusion of noncitizens likely to need welfare and the deportation of those who actually became dependent on welfare. Despite this underlying policy, decades of lenient welfare laws and lax enforcement resulted in millions of noncitizen welfare recipients by the early 1990s. In fact, research showed that households with noncitizens were actually more likely to receive welfare than households composed of citizens.^{xii}

The federal SSI program and the monthly checks it paid to low-income seniors provided a dramatic example of the spectacular growth in noncitizen welfare receipt. From 1982 to 1995, the number of noncitizens on SSI increased 500 percent, compared with a less than 50 percent rise in SSI receipt among citizens.^{xiii} Frequently, naturalized Americans brought their elderly parents to the U.S. and, after a waiting period, helped them collect taxpayer-funded benefits that included SSI, medical care, and food stamps. Many seniors living with adult children who were lawyers, doctors, or others in a position to support them qualified for monthly checks that could last for decades. And because many noncitizen seniors had performed little or no work since arriving in the U.S., they actually got bigger SSI checks than citizens, who were more likely to have worked and thus qualify for Social Security instead of SSI. Overall, while only one-third of seniors on SSI were noncitizens, they received more than half of all SSI funds paid to seniors across the U.S.

As Congress debated the 1996 welfare reforms, further steep rises in noncitizen welfare collection were projected for the years ahead. The GAO predicted that by 2000 the number of noncitizens on SSI would nearly triple to 2 million.^{xiv} Such trends of increasing benefit receipt were despite pledges by many noncitizens that if they fell on hard times they would depend on relatives or friends who promised to support them -- and not taxpayers through welfare benefits.

As applied today, the 1996 welfare reforms generally deter most noncitizens arriving in the U.S. since 1996 from collecting major welfare benefits prior to their becoming citizens.^{xv} Although the reforms granted states some discretion to provide certain benefits after an individual has resided in the U.S. for at least five years, access to major federal programs, especially SSI, food stamps and cash welfare, has been dramatically curtailed. SSI receipt by noncitizens fell 14 percent from 785,000 in

fiscal year 1995 to 677,000 in 2004;^{xvi} food stamp receipt fell 61 percent – from 1.810 million in 1994 to 703,000 in 2003;^{xvii} and cash welfare receipt fell an astonishing 82 percent – from 530,000 (AFDC) in 1995 to 93,000 (TANF) in 2002.^{xviii}

ⁱ Report from GAO “SSI: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners,” August 1996, p. 5, <http://www.gao.gov/archive/1996/he96152.pdf>.

ⁱⁱ See SSA Inspector General testimony to the Human Resources Subcommittee, May 20, 2004: <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=1609>

ⁱⁱⁱ Memorandum from CRS, “The Social Security Administration’s Fugitive Felon Program, Suspension of SSI Benefits, FY 1996 to FY 2005,” January 24, 2006.

^{iv} Testimony of James G. Huse, Office of the Inspector General, SSA (July 25, 2002), Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives.

^v SSA, Office of the Inspector General. Federal law both bars SSI for fugitive felons and for probation and parole violators, and provides for the exchange of certain SSI information with law enforcement agencies under specified conditions.

^{vi} Testimony of Jane L. Ross, GAO (January 27, 1995), Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives.

^{vii} Office of the Inspector General, HHS “SSI Payments to Drug Addicts and Alcoholics: Continued Dependence,” November 1994, OEI-09-94-00071. Prior to becoming an independent agency, SSA was part of HHS.

^{viii} *The Baltimore Sun*, “You Pay As Addicts Squander SSI Cash,” January 23, 1995.

^{ix} 2004 Green Book, Committee on Ways and Means, U.S. House of Representatives, p. 3-46.

^x Ways and Means Committee report 104-379, p. 34 (reflecting CBO score of drug addiction and alcoholism provisions included in H.R. 2684, which later became part of P.L. 104-121).

^{xi} Report from CRS, “Drug Addicts and Alcoholics Are No Longer Eligible for Supplemental Security Income (SSI),” Carmen Solomon-Fears, March 6, 1997, p. 2.

^{xii} 2004 Green Book, Committee on Ways and Means, U.S. House of Representatives, p. J-28.

^{xiii} Ways and Means staff calculations based on data from 2004 Green Book.

^{xiv} Testimony of Jane Ross, GAO.

^{xv} The 1997 Balanced Budget Act (P.L. 105-33) amended the 1996 welfare reforms to maintain benefits for many already receiving benefits. Other exceptions include refugees during their early years in the U.S. and noncitizens who have worked or served in the military.

^{xvi} Annual Statistical Supplement 2005, SSA, Table 7.E6.

^{xvii} Mathematica Policy Research, “Trends in Food Stamp Program Participation Rates: 1994-2000,” June 2002 and “Food Stamp Program Participation Rates: 2003,” July 2005.

^{xviii} HHS, Administration for Children and Families, Characteristics and Financial Circumstances of AFDC/TANF Recipients, Table 29. Each case in this series reflects the most recent year of data available.